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THE FARMER'S INCOME

The object of this paper is to estimate the average amount of income received by farm families in the United States during the census year 1909. A bulletin on the farmer's income by W. J. Spillman, based on preliminary census figures, was issued by the Department of Agriculture on July 19, 1913; since that time more detailed statistics have become available and investigations by the Department of Agriculture have supplied a basis for estimating certain items omitted by the census.

The following table presents a summary statement of the farmer's business for the year 1909:

Income and Expenditures of Average Farmer: 1909.

Items	Total	Per farm
INCOME		
Value of crops ¹	\$3,250,359,348	\$511
" " " live-stock products ²	1,124,678,632	177
" " " animals sold and animals slaughtered on farms.....	1,833,151,031	288
Value of house rent and of food and fuel consumed by family and not reported by census (estimated)	<u>1,653,934,100</u>	<u>260</u>
Gross earnings of farm and farm family	<u>\$7,862,123,111</u>	<u>\$1,236</u>
EXPENDITURES³		
Labor, fertilizers, feed, seed (estimated), threshing (estimated), animals purchased, taxes (estimated), and miscellaneous.....	\$2,750,344,281	\$432
Maintenance charges	505,979,322	80
Total expenditures	<u>\$3,256,323,603</u>	<u>\$512</u>
Net earnings of farm and farm family	\$4,605,799,508	\$724
Interest at 5 per cent on value of farm property (earnings of farm).....	<u>2,049,148,628</u>	<u>322</u>
Earnings of farm family	<u>\$2,556,650,880</u>	<u>\$402</u>

¹ Exclusive of crops fed to live-stock on home farms.

² Including dairy products (except milk and cream consumed on the farm), poultry products, honey and wax, and wool and mohair.

³ Exclusive of value of unpaid family labor.

The first item in the table is the value of crops exclusive of crops fed to the live-stock on home farms. The value of crops fed

was ascertained in the following manner: The total value of feedable crops, that is, corn, oats, barley, hay and forage, kafir corn, emmer and spelt, was \$2,786,000,000; of this amount \$509,000,000 represented the value of the feed sold by the farmers and \$40,000,000 was the estimated value of the corn consumed by the farm families in the Cotton Belt (at the rate of \$20 per farm), leaving \$2,236,000,000 as the value of the crops fed to the live-stock on home farms. By subtracting this figure from the \$5,487,000,000, which represents the total value of all crops, we obtain the value of crops not fed to the live-stock on the home farm, as given in the table.

To the net value of crops is added the value of live-stock products and of animals sold and animals slaughtered on farms, aggregating \$2,958,000,000. In addition to this the farmer had the use of his house, and some fuel and food supplied by the farm and not enumerated by the Census Office. An estimate of these items has been obtained on the basis of Farmers' Bulletin No. 635, by W. C. Funk, of the Office of Farm Management, entitled *What the Farm Contributes Directly to the Farmer's Living*. Mr. Funk's investigation included 483 farm families scattered widely over the United States, and his conclusion was that the average farm family receives about \$125 as rental value of the farm house, about \$35 as the value of fuel, and about \$47 as the value of milk and cream consumed on the farm. In connection with the item for rent it should be kept in mind that the farmer has been charged with 5 per cent interest and with maintenance on his entire property including his house, so that it is necessary to credit him with the rental value of his house in order to offset these items of expenditure. It may be that Mr. Funk's average of \$125 is too high for the United States as a whole; if that be so, the income of the farmer as given in the table is above the true income by that excess. According to Mr. Funk's figures, \$207 should be added to the average income of the farm family on account of rent, fuel, and milk and cream consumed, none of which is included in the census returns. Furthermore, the poultry and eggs, the pork and beef, and the vegetables and fruits consumed by the farm family are not completely covered by the census enumerator. No satisfactory way of estimating the value of these omitted items is available, but Mr. Funk's bulletin places the total value of the food supplied by the home farm at \$261, of which about \$150 was represented by pork and beef, poultry and eggs, apples and

peaches, and Irish and sweet potatoes. It seems certain that the \$47 for milk and cream can safely be raised to \$100 to cover all these additional items; and the total for house rent, fuel and food not included in census returns, but supplied by the farm, thus becomes \$260. When to this figure is added \$161 as the value of food supplied by the farm and presumably counted by the census enumerators, the total value of what the farm contributes directly to the farmer's living appears to be \$421.

The total earnings of farms and farm families arrived at in this way were thus about \$7,862,000,000, or \$1,236 per farm. The farm expenses were obtained through a combination of census figures and estimates based on agricultural surveys. The amounts expended on hired labor (\$651,000,000), on fertilizers (\$115,000,000), on feed (\$300,000,000), and on animals purchased (\$840,000,000) were given by the Census Bureau. In addition to this, estimates were made of the amount expended for seed and for threshing charges. The estimates of the expenditures for seed were based on the acreage of each of the principal crops, the average number of bushels used for seed per acre in the different regions of the United States, obtained by correspondence with agents of the Department of Agriculture, and the average value of seed per bushel, obtained from the Census Reports. This item totaled about \$200,000,000. The expenditures for threshing were estimated at about \$90,000,000 on the basis of the acreage of the crops, together with information collected by the Department of Agriculture on the expenditures for threshing in the different regions. The total for all enumerated items of expense was thus about \$2,195,000,000, or \$345 per farm. To this was added .6 of 1 per cent of the value of farm property for taxes, and a maintenance charge of 5 per cent on the value of buildings, and of 15 per cent on the value of implements and machinery, bringing the total amount of farm expenses to \$2,947,000,000. This figure was increased by 10½ per cent for miscellaneous expenses including overhead charges, an estimate based on Farm Management surveys; so that the total expenditures were about \$3,256,000,000, or \$512 per farm, leaving net earnings per farm of \$724 available for family expenses, for payments on indebtedness, and for savings. This amount includes the interest on the investment, which at 5 per cent is \$322, leaving \$402 as the earnings of the average farm family.

The interest paid by farmers on their mortgages should be sub-

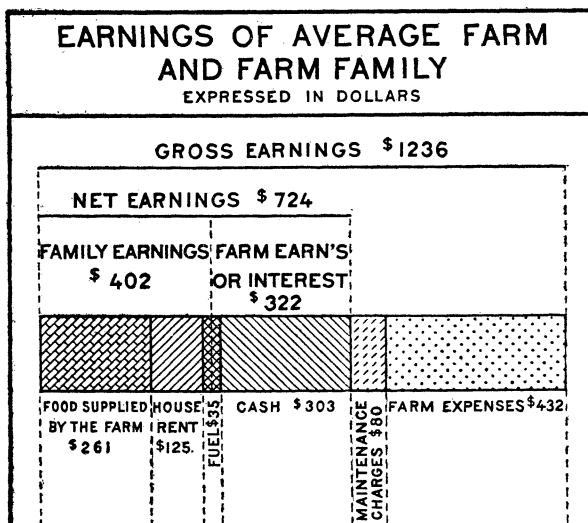
tracted from their net farm earnings, but not from the earnings of farm families; no satisfactory statistics of mortgage indebtedness, however, are in existence, since the census reports this information only for farms operated by their owners, of whom one third reported mortgages. If the proportion mortgaged were the same among farms operated by tenants as that among farms operated by owners, and if the average size of the mortgages were the same, then the average interest on mortgages paid by farmers would amount to about \$34 a year, and their net earnings (including interest) would be \$690, instead of \$724. The average mortgage is probably not so high, however, because the farms operated by tenants are likely to have proportionately fewer mortgages and also, perhaps, a lower average amount of mortgage. At any rate this amount would not materially affect the averages here presented.

One way of analyzing the farmer's income is to distinguish between the interest on his investment, the wages earned by his own labor and superintendence, the value of the unpaid labor of his family, and the profits of his enterprise. No information is available for apportioning the income between these elements, except that about \$322 represents interest, and \$402 includes all the other items.

In addition to the direct earnings of farmers derived from the value of farm products, the item of increase in the value of their property must be considered. The only way of estimating this increase is by subtracting from the total value of farm property in 1910 that for 1900 and dividing the difference by ten. This calculation gives an average annual increase in the value of farm property of \$2,055,000,000, or \$323 per farm, of which about \$242 was the increase in the value of land, \$44 in the value of buildings, \$8 in the value of implements and machinery, and \$29 in the value of live-stock. A part of this increase in value is the direct result of the farmer's labor in improving his farm, while another part is the farmer's share in the increase of the nation's wealth. Owing to the fact that the census of 1900 was taken in June and that of 1910 in April, the increase in the value of live-stock is an understatement. The increase in the value of farm property, in so far as it is real, represents a capitalization of the increase in the value of farm products, and the farmer receives interest on the increase in the shape of greater returns for his crops. It is probably true, however, that a certain amount of the

increase in the value of the land represents an over-valuation by its owners, which may never be realized by them. Even if it is a genuine value for 1910, the farmer may not reap the benefit of that value unless he sells his farm, for the price of land may decline. Thus the farmer's prosperity, like that of any other independent business man, is dependent on a large number of factors over many of which he has no control. The amount of products for a given year depends in part upon the farmer's industry and foresight and in part on weather conditions; the price received for the principal products sold is very largely determined by conditions in the world market and is in large measure beyond the influence of the farmer. The increase in the value of his land and other property reflects the income that he received for his products during previous years, and is influenced by the growth of population, the extension of transportation facilities, and many other factors.

The figures on farm income are summarized in the graph below.



The graph shows that after all the expenses are paid the average farm family has \$724 of net earnings, of which \$322 was earned by the capital invested in the farm, and \$402 by the labor of the farmer and his family. The \$724 of net earnings were received by the family in the following manner: \$303 in cash, \$35 as fuel, \$125 as rent, and \$261 as food furnished by the farm.

The limitations of these figures on farmer's earnings should be clearly understood. In the first place they are average figures

for the United States as a whole, covering decidedly varied conditions in different parts of the country. Figures for individual localities would be more illuminating, but detailed information for regions is not available. It is probably true also that in the figures for the United States as a whole the errors are more likely to balance each other than they would be in figures for smaller areas. Considerably more significant than averages would be figures giving the number of farmers in each income group, but such figures do not exist. It should also be mentioned that no attempt is here made to draw a distinction between the income of farmers cultivating their own land and the income of tenant farmers who have to depend almost entirely on what the family earns by its labor. Another limitation of the figures is that they apply to the year 1909 and may be very different in any previous or subsequent year. It may be said, however, that 1909 was a fairly representative year and that the data are as satisfactory for that year as they would be for any other single year. Another limitation is that the census definition of a farm includes small farms in the neighborhood of large cities, whose owners derive their principal revenue from other pursuits than agriculture. It should be mentioned, however, that no farms under 3 acres are included in the census enumeration unless they produced \$250 worth of crops or gave full-time employment to at least one man. In view of the fact that there were only 18,000 farms under 3 acres in 1910, forming about .3 of 1 per cent of the total number of farms, and that farms of over 3 acres are probably in most cases in the hands of genuine farmers, this limitation is not serious. Even operators of good-sized farms often add to their income by working part of the time on other farms or at other trades, but money earned in this way is not included in our figures. This item is of considerable importance in some regions but would not materially affect the averages for the country as a whole.

Finally, in stating that the average farm family earned \$402 in 1909, it should be kept in mind that the cost of living on the farm is very low as compared with that in the cities. The farm family produced and consumed food valued on the farm at \$261; in the city this same food would cost at least \$100 additional, the item for rent, considering accommodations, would be higher than \$125 in the city, and fuel would cost more than \$35. The \$400 earned by the farm family would thus probably correspond to an income of \$600 or more received by an industrial worker in the

city, and two thirds of the farmers have, in addition, the interest earned by their investment. Furthermore, while the farming group is not entirely or even nearly homogeneous, it is nevertheless true that the extremes of wealth and poverty are not represented in it, and that the average is not composed of as widely divergent elements as would be a similar average for an industrial group.

It might be said that the earnings of farm families as here given do not materially exceed the earnings of one adult farm laborer at the rate of \$30 a month and board. The figures do not, indeed, speak of large wealth and do not seem to offer brilliant opportunities for young men seeking a short road to affluence; nevertheless, it is probably true that the farming population of the United States, consisting as it does of more than 30 million people, has a larger average income per family than any other equally homogeneous group of individuals of anything like the same size anywhere in the world.

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